

Return the completed, signed Option Selection Worksheet **within 30 days of the date of this letter to:**

Box 125, Correspondence Unit,
80 South Jefferson Road,
Whippany, New Jersey 07981

2. Indicate the amounts for the recovery option you have chosen.
3. **Sign and date** the Worksheet where indicated.

OPTION SELECTION WORKSHEET

Case Number: OSW- 132

SELECT PAYMENT OPTION AND AMOUNTS FOR RECOVERY:

Applicant Name: LUTHERAN SCHOOL OF FLUSHING
Applicant Address: 133 N. State Street, Newtown, PA 18940 2056
Billed Entity Number: 12263

ERRONEOUSLY DISBURSED FUNDS:

<u>Funding Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Funds to be Recovered</u>
06/30 2000	148299	283910	<u>\$6,440.39</u>
Total Funds to be recovered for this applicant:			<u>\$6,440.39</u>

Check one repayment option and specify dollar amount:

1. ☐ Remit check for total amount
2. ☐ Offset total amount from FRNs
3. ☐ Combination check and offset

TOTAL TO REMIT: \$ _____

TOTAL AMOUNT TO OFFSET: \$ _____

TOTAL AMOUNT OF RECOVERY: \$ _____

(Must equal the total amount to recover stated above)

Signature of Authorized Representative _____
Print Name of Authorized Representative _____
Name of Service Provider _____
Date _____

SCHEDULE OF ALTERNATIVE VALID FRNs AVAILABLE FOR OFFSET

Applicant Name: LUTHERAN SCHOOL OF FLUSHING
Applicant Address: 133 N. State Street, Newtown, PA 18940 2056
Billed Entity Number: 12263

Other Valid FRNs for this applicant with unpaid dollars available for Offset:

<u>Fund Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Dollars Potentially Available for Offset</u>
Total Potentially Available for Offset:			<u>\$0.00</u>
NO OFFSETS AVAILABLE.			

* The FCC directed in its October 26, 2000, Order that USAC permit service providers to choose as potential offsets pending funding requests that have not yet been featured in a Funding Commitment Decision Letter (FCDL). Therefore, the column 'Dollars Potentially Available for Offset' may include FRNs in the SLD system for which no decision has yet been issued. If so, those pending FRNs are indicated by an asterisk to the right of the requested discount. If, after SLD review is completed, any such request is reduced or denied, the potential offsets would be reduced and if total potential offsets fall below the 'Total Funds to be Recovered' shown above, the service provider will be required to remit payment for any shortfall.



Universal Service Administrative Company
Schools & Libraries Division

REPAYMENT/OFFSET DEMAND LETTER

June 16, 2004

John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301 2712

SPIN: 143007419
Applicant Name MARTIN LUTHER HIGH SCHOOL
Billed Entity Number: 12421

Dear Service Provider Contact:

You were recently sent a Commitment Adjustment Letter informing you of the need to recover funds for the Funding Request Number(s) (FRNs) listed on the Option Selection Worksheet attached to this letter. The Federal Communications Commission (FCC) by its Order FCC 00-350 (released October 26, 2000) has directed the Universal Service Administrative Company (USAC) to implement the funds recovery process from service providers who received erroneous funding amounts. Listed below are the options available to you to return the total 'Funds to be Recovered' amount as specified on the Commitment Adjustment Letters you have been provided.

You may choose one of three options:

1. Remit to USAC the stated 'Funds to be Recovered' amount, within 30 days of the date of this letter,
2. Offset the stated amount owed to USAC by foregoing disbursement on alternate valid funding commitments or pending funding requests for the same applicant for the same or alternate funding year, or
3. A combination of the above two methods. The sum must equal the required recovery amount.

- If you select the cash payment option (# 1), please make your check payable to: "USAC – Fund Recovery" and remit the full "Funds to be Recovered" amount.
- If you select the offset option (# 2), USAC will offset the first submitted invoices, regardless of the alternate FRNs to which they apply, against the USAC recovery amount. You will be notified that the invoices have been approved and the funds have been credited as an offset. Once the USAC recovery is satisfied, any additional invoices submitted will be processed as normal, subject to remaining availability of funds for each FRN.

• If you select the combination option (#3), please indicate the amount of cash payment and make your check payable to: "USAC – Fund Recovery." The difference between the dollar amount remitted and the total "Funds to be Recovered" amount due to USAC is the remaining amount to be recovered by foregoing disbursement on alternate FRNs after work is completed and invoices are submitted to USAC. The sum of both options must equal the required recovery amount.

If an offset methodology is selected either via Option 2 or 3 above, the following examples may help you understand how USAC will process submitted invoices to ensure accurate and timely recovery of funds. The offset methodology will apply to either Service Provider Invoice Forms (FCC Form 474) or Billed Entity Applicant Reimbursement (BEAR) Forms (FCC Form 472).

Example illustrates processing of invoices that exactly offset the recovery dollar amount:

Adjusted FRN and Recovery Dollar Amount		Alternate FRN and Available Dollar Amounts		Invoices Submitted SPIF or BEAR	USAC Applies to Recovery	USAC Pays
123	\$1,000	124	\$1,500	\$300	\$300	-0-
		125	\$ 800	\$400	\$400	-0-
		126	\$1,200	\$300	\$300	-0-
Total \$1,000			\$3,500	\$1,000	\$1,000	

Example 2 illustrates how invoices can be processed once the FULL amount of the recovery has been obtained:

Adjusted FRN and Recovery Dollar Amount		Alternate FRN and Available Dollar Amounts		Invoices Submitted SPIF or BEAR	USAC Applies to Recovery	USAC Pays
123	\$1,000	124	\$1,500	\$600	\$600	-0-
		125	\$ 800	\$800	\$400	\$ 400
		126	\$1,200	\$1,200	\$0	\$1,200
Total \$1,000			\$3,500	\$2,600	\$1,000	\$1,600

Please review the attachments **complete the Option Selection Worksheet, and return it within 30 days of the date of this letter.** An instruction sheet has been provided as well as a listing of alternate FRNs with valid or pending funding commitments available for offset.

If you have any questions, please call 1-888-203-8100, and ask for the Technical Client Service Bureau. These specially trained staff can assist you with this process.

Universal Service Administration Company
Schools and Libraries Division

Attachments

CC: Gary Fredericksen
MARTIN LUTHER HIGH SCHOOL
6002 MASPETH AVE
Maspeth, NY 11378 2712

INSTRUCTIONS FOR:

**SERVICE PROVIDER
"OPTION SELECTION WORKSHEET"**

1. Check Repayment option

- If you are choosing Option 1 or 3

**Return within 30 days of the date of this letter:
The completed, signed Option Selection Worksheet with
your check to the appropriate address identified below:**

If sending by US Mail or major courier service (e.g. Airborne,
Federal Express, and UPS) please send check payments to:

Universal Service Administrative Company
1259 Paysphere Circle
Chicago, IL 60674

If you are located in the Chicago area and use a local messenger
rather than a major courier service, please address and deliver the
package to:

Universal Service Administrative Company
Lockbox 1259
540 West Madison 4th Floor
Chicago, IL 60661

Local messenger service should deliver to the Lockbox Receiving
Window at the above address.

- If you are choosing Option 2:

Return the completed, signed Option Selection Worksheet **within 30 days of the date of this letter to:**

Box 125, Correspondence Unit,
80 South Jefferson Road,
Whippany, New Jersey 07981

2. Indicate the amounts for the recovery option you have chosen.
3. **Sign and date** the Worksheet where indicated.

OPTION SELECTION WORKSHEET

Case Number: OSW- 134

SELECT PAYMENT OPTION AND AMOUNTS FOR RECOVERY:

Applicant Name: MARTIN LUTHER HIGH SCHOOL
Applicant Address: 6002 MASPETH AVE, Maspeth, NY 11378 2712
Billed Entity Number: 12421

ERRONEOUSLY DISBURSED FUNDS:

<u>Funding Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Funds to be Recovered</u>
06/30 2001	188159	394744	<u>\$9,072.00</u>
Total Funds to be recovered for this applicant:			<u>\$9,072.00</u>

Check one repayment option and specify dollar amount:

1. ☐ Remit check for total amount
2. ☐ Offset total amount from FRNs
3. ☐ Combination check and offset

TOTAL TO REMIT: \$ _____

TOTAL AMOUNT TO OFFSET: \$ _____

TOTAL AMOUNT OF RECOVERY: \$ _____

(Must equal the total amount to recover stated above)

Signature of Authorized Representative _____
Print Name of Authorized Representative _____
Name of Service Provider _____
Date _____

SCHEDULE OF ALTERNATIVE VALID FRNs AVAILABLE FOR OFFSET

Applicant Name: MARTIN LUTHER HIGH SCHOOL
Applicant Address: 6002 MASPETH AVE, Maspeth, NY 11378 2712
Billed Entity Number: 12421

Other Valid FRNs for this applicant with unpaid dollars available for Offset:

<u>Fund Year End</u>	<u>471 #</u>	<u>FRN</u>	<u>Dollars Potentially Available for Offset</u>
Total Potentially Available for Offset:			<u>\$0.00</u>
<u>NO OFFSETS AVAILABLE</u>			

* The FCC directed in its October 26, 2000, Order that USAC permit service providers to choose as potential offsets pending funding requests that have not yet been featured in a Funding Commitment Decision Letter (FCDL). Therefore, the column 'Dollars Potentially Available for Offset' may include FRNs in the SLD system for which no decision has yet been issued. If so, those pending FRNs are indicated by an asterisk to the right of the requested discount. If, after SLD review is completed, any such request is reduced or denied, the potential offsets would be reduced and if total potential offsets fall below the 'Total Funds to be Recovered' shown above, the service provider will be required to remit payment for any shortfall.

CC MAG 25 12

Approved: DAVID M. SIEGAL
Assistant United States Attorney

Before: HONORABLE KEVIN NATHANIEL FOX
United States Magistrate Judge
Southern District of New York

----- x UNDER SEAL

UNITED STATES OF AMERICA : COMPLAINT

-v-

: Violations of
18 U.S.C. §§ 371, 287, 1001,
1343, 1503, 1519, and 2

JOHN ANGELIDES,
JOHN DOTSON,
OSCAR ALVAREZ, and
GARY BLUM,

: COUNTY OF OFFENSE
NEW YORK

:
Defendants.
:

----- x
STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.:
SOUTHERN DISTRICT OF NEW YORK)

COURTNEY FOSTER, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE

1. From at least in or about the Fall 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

2. It was a part and an object of the conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, for the purpose of executing such scheme and artifice and

attempting so to do, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice, in violation of Section 1343 of Title 18, United States Code.

3. It was further a part and an object of the conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Section 287 of Title 18, United States Code.

4. It was further a part and an object of the **conspiracy that JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others known and unknown, in a matter within the jurisdiction of the executive, legislative and judicial branch of the Government of the United States, unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, and made materially false and fraudulent statements and representations, and made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, in violation of Section 1001 of Title 18, United States Code.**

OVERT ACTS

5. In furtherance of said conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent by fax communication from Staten Island, New York, to Newark, New Jersey, a letter he signed on behalf of Connect 2 Internet Networks, Inc. ("C2I") stating to the St. Rocco Victoria School that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children who was in New York, New York, that it could participate in the Government E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of C2I stating to the St.

John Lutheran School in Queens, New York, that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

d. In or about January 2000, JOHN ANGELIDES and GARY BLUM, the defendants, signed a letter dated January 18, 2000, on behalf of C2I stating to the Islamic Elementary School in Queens, New York, that it could participate in the Government E-Rate Program with "absolutely no cost to the school."

e. On or about January 12, 2001, GARY BLUM, the defendant, sent by fax communication to New York, New York, a letter on behalf of C2I stating to the Association for the Help of Retarded Children that it could participate in the Government E-Rate Program with "no liability" for the portion of the costs of the Program it was required to pay under program rules.

f. On or about July 30, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to New Jersey, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about August 30, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

h. On or about September 7, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and his company, C2I, were acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

i. On or about September 28, 2001, JOHN DOTSON, the defendant, created two checks in the approximate amounts of \$52,731 and \$2,268, respectively, payable to C2I, intending that they be used by his co-conspirators falsely to represent to the

Government that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program.

j. On or about October 10, 2001, JOHN ANGELIDES, the defendant, paid \$54,999 to JOHN DOTSON, the defendant, in reimbursement for monies that DOTSON paid to C2I on or about September 28, 2001, in order to create the false impression that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program.

k. On or about October 11, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program, and **enclosed false, incomplete and misleading documentation to support that false representation.**

l. On or about October 22, 2001, JOHN ANGELIDES, the defendant, with the knowledge of GARY BLUM, and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I was acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

m. On or about November 21, 2001, JOHN ANGELIDES the defendant, with the knowledge of GARY BLUM, and OSCAR ALVAREZ, the defendants, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that C2I, was acting in compliance with the rules and regulations of the Government E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18, United States Code, Section 371.)

COUNT TWO

6. From at least in or about the Fall 1999, through at least in or about September 23, 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies

thereof, knowing such claims to be false, fictitious and fraudulent, to wit, claims for reimbursement from the E-Rate government funding program for services and equipment allegedly provided to the Children's Store Front School based on false representations as described below.

(Title 18, United States Code, Sections 287 and 2.)

COUNT THREE

7. From at least in or about the Fall 1999, through at least in or about November 21, 2001, in the Southern District of New York and elsewhere, JOHN ANGELIDES, OSCAR ALVAREZ, and GARY BLUM, the defendants, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, **claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, to wit, claims for reimbursement from the E-Rate government funding program for services and equipment** allegedly provided to the Association for the Help of Retarded Children based on false representations as described below.

(Title 18, United States Code, Sections 287 and 2.)

COUNT FOUR

8. In or about October 11, 2001, in the Southern District of New York and elsewhere, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, in a matter within the jurisdiction of the executive, legislative and judicial branches of the Government of the United States, unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, made materially false, fictitious and fraudulent statements and representations, and made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, to wit, false statements and concealment of material facts falsely representing that C2I was acting in compliance with the rules and regulations of the E-Rate government funding program regarding its claim for reimbursement related to the Children's Store Front School, as described below.

(Title 18, United States Code, Sections 1001 and 2.)

COUNT FIVE

(9.) In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, in a matter within the jurisdiction of the executive, legislative and judicial branches of the Government of the United States, unlawfully, willfully and knowingly, falsified, made and used false writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, to wit, backdated invoices and a misleading contractual document falsely representing that C2I was acting in compliance with the rules and regulations of the E-Rate government funding program regarding its claim for reimbursement related to the Islamic Elementary School, as described below.

(Title 18, United States Code, Sections 1001 and 2.)

COUNT SIX

10. From at least in or about December 2001, through at least on or about June 6, 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, unlawfully, willfully, knowingly and corruptly influenced, obstructed and impeded, and endeavored to influence, obstruct and impede, the due administration of justice, to wit, the defendant withheld from production to the grand jury the following documents, among others, that were required to be produced pursuant to a grand jury subpoena issued in the Southern District of New York:

Date	Description	Related School
1/11/2000	Letter from St. Rocco Victoria School to C2I, countersigned by JOHN ANGELIDES stating, <u>inter alia</u> , "in accepting the [C2I] proposal there is absolutely no cost to the school."	Saint Rocco Victoria School
1/14/2000	Letter from AHRC to JOHN ANGELIDES, stating, <u>inter alia</u> , "AHRC is absolved from any costs associated with the E-Rate proposal, (specifically, the 10% school costs)."	Association for the Help of Retarded Children

1/12/2001	Letter from GARY BLUM to Association for the Help of Retarded Children, stating, <u>inter alia</u> , "AHRC will have no liabilities for this portion of the costs."	Association for the Help of Retarded Children
1/18/2000	Letter signed by JOHN ANGELIDES and initialed by GARY BLUM from C2I to Islamic Elementary School, stating, <u>inter alia</u> , "It is our agreement that Islamic Elementary School will not be responsible for any cost in the proposal made to Islamic Elementary School by Connect2. . . . In accepting the Connect2 proposal, there is absolutely no cost to the school. "	Islamic Elementary School
1/18/2000	Letter signed by JOHN ANGELIDES from C2I to St. John Lutheran School, stating, <u>inter alia</u> , "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. . . . It is our understanding that in accepting the Connect2 proposal, there is absolutely no cost to the school."	St. John Lutheran School

(Title 18, United States Code, Sections 1503 and 2.)

COUNT SEVEN

11. In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Section 1519 of Title 18, United States Code.

12. It was a part and an object of the conspiracy that JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, and others known and unknown, unlawfully, willfully and knowingly, altered, destroyed, concealed, covered up, falsified, and made false entries in records, documents, and tangible objects with the intent to impede, obstruct, and influence the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, and in relation to and contemplation of such matters, in violation of Section 1519 of Title 18, United States Code.

OVERT ACTS

13. In furtherance of said conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about October 2002, JOHN ANGELIDES, the defendant, met with a school administrator from the Islamic Elementary School in Queens, New York, and gave that administrator backdated invoices and a purported contract intended to be used for purposes of falsely representing to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

b. On or about October 8, 2002, JOHN ANGELIDES, and OSCAR ALVAREZ, the defendants, met with school administrators from the Islamic Elementary School in Queens, New York, and urged those administrators to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

c. On or about October 9, 2002, JOHN ANGELIDES, the defendant, spoke over the telephone with a school administrator from the Islamic Elementary School who was in New York, New York, and urged that administrator to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

d. On or about October 10, 2002, JOHN ANGELIDES, the defendant, spoke over the telephone with a school administrator from the Islamic Elementary School who was in New York, New York, and urged that administrator to falsely represent to the FCC that C2I was acting in compliance with the rules and regulations of the government E-Rate Program, as described below.

(Title 18, United States Code, Section 371.)

COUNT EIGHT

14. In or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, unlawfully, willfully and knowingly, altered, destroyed, concealed, covered up, falsified, and made false entries in records, documents, and tangible objects with the intent to impede, obstruct, and influence the investigation and proper administration of matters within the jurisdiction of departments and agencies of the United States, and in relation to and contemplation of such matters, to wit, attempted to persuade witnesses not to reveal to government auditors documents evidencing his fraudulent conduct related to the E-Rate government funding program, as described below.

(Title 18, United States Code, Sections 1519 and 2.)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

15. I am a Special Agent with the FBI, and I have been involved personally in the investigation of this matter. I am familiar with the facts and circumstances set forth below from my personal participation in the investigation, including interviews I have conducted, my examination of reports and records, and my conversations with other law enforcement officers, including an undercover law enforcement agent. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part.

THE E-Rate Program

16. I have spoken with an attorney employed by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and have reviewed documents and materials provided to me by that attorney and her staff. From these sources, I have learned the following, among other things:

a. In around 1998, the Federal government implemented a program to provide subsidies to schools and libraries in financial need for use in the purchase and installation of internet access and telecommunications services as well as internal computer and communication networks (the "E-Rate Program"). The program is administered under contract with the Government by USAC and a subdivision of USAC called the "Schools and Libraries

Division" ("SLD"). The Federal Communications Commission ("FCC") oversees and regulates USAC and SLD.¹

b. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to create and upgrade their internet and communications infrastructure, and provide their students with access to the internet as a learning tool. To further this objective, the Federal government has, since the inception of the program, offered to pay a large portion of the cost of each participant school's infrastructure enhancements, where such schools meet the E-Rate Program's eligibility requirements.

c. One of the Program's core eligibility requirements is that each applicant school pay some percentage of the cost of the infrastructure enhancement. **The percentage that the applicable school must pay ranges from 10% to 80%, depending on particular characteristics related to the neediness of each applicant institution (hereinafter, the school's "Undiscounted Share").** The Government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. Among the reasons why the applicant schools are required to pay a portion of the costs are: (i) to ensure that schools have a financial incentive to negotiate for the most favorable prices, so that the government's spending under the program is not wasteful; and (ii) to ensure that schools only purchase infrastructure and equipment that they truly need.

CONNECT 2 INTERNET

17. According to public records and witnesses whom I have interviewed, C2I is a vendor of internet and communications infrastructure and related services. JOHN ANGELIDES, the defendant, is the owner and principal officer of C2I. At the relevant times described below, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, were employed by C2I.

18. According to USAC records:

a. A number of schools in the New York City and New Jersey area have applied for and received funding from the E-Rate Program to establish, enhance and/or upgrade those schools' internet infrastructure.

USAC administers the Universal Service Fund under regulations promulgated by the FCC.

b. In the period from approximately July 1998 to the present, C2I was the vendor of goods and services for more than 200 schools participating in E-Rate. Most of these schools purported to participate at a 90% discount rate (i.e., the discount rate associated with the most financially disadvantaged schools), meaning that the schools were obligated to pay 10% of the cost of goods and services, and C2I sought payment from the Government for the remaining 90%.

c. In the period from approximately July 1998 through approximately June 2001, the Government actually paid C2I more than \$9 million in E-Rate monies for goods and services that C2I provided to approximately 136 schools.

SUMMARY OF THE FRAUDULENT SCHEME

19. As described more fully below, JOHN ANGELIDES, JOHN DOTSON, OSCAR ALVAREZ, and GARY BLUM, the defendants, and others not named as defendants herein, devised and carried out a scheme to obtain E-Rate funds for goods and services that C2I provided to various schools on the false pretense that the schools would pay or had paid their required share of the costs of those goods and services. In fact, the defendants charged the schools nothing for these goods and services and assured the schools that they would never have to pay for the goods and services. In this way, the defendants were able to sell almost limitless quantities of E-Rate eligible goods and services to schools across the New York City area, with little or no control on the price they charged, and impose the entire cost on the Government.

20. The defendants and their co-conspirators went to great length to deceive the schools and induce them to participate in the scheme. They also engaged in elaborate efforts to deceive the Government into believing that the schools had paid their Undiscounted Share. As detailed below, the defendants did so by: (a) falsely representing to school administrators that the schools' Undiscounted Share would be covered by "outside grants" or "outside sources of funding" donated to C2I for that purpose; (b) asking the schools to write checks payable to C2I and agreeing not to cash the checks; (c) asking the schools to write checks payable to C2I and agreeing to return the money in cash or by check payable to the schools or their designees; (d) creating back-dated invoices and other phony billing documents to give the false appearance that C2I billed the schools for their Undiscounted Share; (e) concealing communications in which the defendants assured the schools that they would not have to pay for any of the goods and services being supplied by C2I; and (f) attempting to persuade school administrators to lie to government investigators and give them

false and misleading documents, all designed to conceal the scheme and enable the defendants to collect more money from the E-Rate

THE INVESTIGATION

21. In or about the Spring and Summer 2001, SLD commenced an investigation into C2I's compliance with the E-Rate Program rules. Beginning in the Spring 2001, analysts and investigators working for USAC and SLD began contacting participant schools and collecting records of their dealings with C2I and its representatives. In or about the Fall of 2001, the FBI commenced an independent criminal investigation of the activities of C2I, which has generated further evidence concerning C2I and the schools to which it provided goods and services.

THE AL NOOR SCHOOL

22. According to USAC and SLD records:

a. The Al Noor School, located in Brooklyn, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. Al Noor School participated in the E-Rate Program with a 90% discount rate, meaning that it was eligible to receive from the E-Rate Program 90% of the costs of the eligible computer and internet services and equipment provided by C2I.

c. For the fiscal year of the E-Rate Program covering the period from July 2000 through June 2001 (hereinafter, "Funding Year 3"),² C2I applied for E-Rate funds totaling approximately \$851,000 - purportedly 90% of the total costs - for E-Rate eligible goods and services to be provided by C2I to the Al Noor School. The full amount requested was approved and paid to C2I by USAC.

² The E-Rate Program was initiated in 1998, and Funding Years 1 and 2 related to the periods between July 1998 through June 1999, and July 1999 through June 2000, respectively.

23. I have interviewed a school administrator of the Al Noor School ("CW-1")¹, who advised me of the following, in substance and in part:

a. In or about 1999 and early 2000, GARY BLUM and OSCAR ALVAREZ, the defendants, met with CW-1 numerous times. During these meetings, BLUM and ALVAREZ solicited CW-1 to retain C2I as Al Noor School's vendor for the E-Rate Program. In doing so, they represented that, if Al Noor School retained C2I, Al Noor School could obtain hundreds of thousands of dollars worth of internet-related services and equipment without paying any money. When asked how this could be accomplished, BLUM and ALVAREZ provided vague explanations, suggesting they would find "donations" to cover Al Noor School's 10% Undiscounted Share or some other means of "taking care of" the school's obligation.

(b) In or about July 2001, JOHN ANGELIDES, the defendant, met with CW-1 and confirmed C2I's earlier promise that **Al Noor School would not have to pay its 10% Undiscounted Share.** ANGELIDES said, however, that he wanted Al Noor School to help ANGELIDES make it appear to the SLD that Al Noor School was in fact paying its 10% to C2I. ANGELIDES instructed CW-1 to pay the 10% amount to C2I by check and promised to refund the full amount to the school by other means. CW-1 agreed to this arrangement.

(c) In or about August and September 2001, Al Noor School paid C2I its 10% share -- approximately \$94,000 -- in two separate checks. Shortly afterwards, JOHN ANGELIDES, the defendant, refunded those monies, giving CW-1 an envelope containing approximately \$20,000 cash, and checks to cover the balance. One of those checks was in the approximate amount of \$65,000 and made payable to the Islamic Society of Bay Ridge ("ISBR"), a charitable organization whose president sat on the board of directors of Al Noor. CW-1 made arrangements with ISBR for the ISBR to forward to Al Noor the funds that it received from C2I.

24. I have reviewed a copy of a canceled check in the amount of approximately \$65,194, payable to ISBR, drawn on an account of C2I, and signed by JOHN ANGELIDES, the defendant. I

CW-1 has provided information and assistance to the Government in the hope of receiving a reduced sentence for his/her participation in a fraudulent scheme to obtain Government funds under the E-Rate Program. The information provided by CW-1 has been reliable, and has been corroborated by independent information, as described more fully below.

have also reviewed bank records of ISBR which show that at least approximately \$74,660 was paid by C2I to ISBR, in two checks, in or about September and November 2001.

25. I have interviewed an analyst for SLD, who provided me with documents and other information. The information reveals the following, in substance and in part:

(a) In or about August 2001, in conversations with JOHN ANGELIDES, the defendant, the analyst at least twice requested documentary proof that C2I had billed Al Noor School for its Undiscounted Share and that the Al Noor School had paid that amount.

(b) On or about August 30, 2001, in response to these requests, JOHN ANGELIDES, the defendant, faxed from Staten Island, New York, to the SLD analyst in New Jersey, copies of a check from Al Noor School in the approximate amount of \$85,194 payable to C2I and an invoice purportedly showing that ~~Al Noor School~~ had billed Al Noor School for approximately \$94,660. On the fax cover sheet, ANGELIDES wrote, in part, "Enclosing Invoice & Check for the schools proportionate amount." The fax cover sheet included a "CC" to GARY BLUM, the defendant.

(c) On or about September 7, 2001, JOHN ANGELIDES, the defendant, faxed from Staten Island, New York, to the SLD analyst in New Jersey, a copy of a check from Al Noor School to C2I in the approximate amount of \$9,466. On the fax cover sheet, ANGELIDES wrote, in relevant part: "Finally, we picked up the last of the checks from the Al Noor Schools, which should clear the way for us to get paid." That fax cover sheet included a "CC" to GARY BLUM, the defendant.

SAINT ROCCO VICTORIA SCHOOL

26. According to USAC and SLD records:

a. The Saint Rocco Victoria School, located in Newark, New Jersey, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. Saint Rocco Victoria School participated in the E-Rate Program with a 90% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximate \$349,405 in E-Rate funds for goods and services to be provided to the Saint Rocco Victoria School. This amount purported to be 90% of the total price charged

to Saint Rocco Victoria School for E-Rate eligible goods and services. The full amount requested was approved and paid to C2I by USAC.

27. I have interviewed a school administrator of Saint Rocco Victoria School ("St. Rocco Administrator 1"), who as advised me of the following, in substance and in part:

a. In or about the Fall 1999, GARY BLUM and OSCAR ALVAREZ, the defendants, told St. Rocco Administrator 1 that, if Saint Rocco Victoria School retained C2I as its vendor for the E-Rate Program, the School could obtain hundreds of thousands of dollars worth of internet-related services and equipment without paying any money. When St. Rocco Administrator 1 asked BLUM and ALVAREZ about how this could be accomplished in light of the requirement that the school pay its 10% Undiscounted Share, BLUM and ALVAREZ stated without elaboration that C2I would find "outside funding" or "grants" that would cover the school's 10% portion.

b. In reliance on these representations, Saint Rocco Victoria School applied through the E-Rate Program for a substantially more expensive and extensive internet service and equipment package than it would have done had the School been required to pay its 10% share.

c. In order to protect Saint Rocco Victoria School, St. Rocco Administrator 1 asked that C2I confirm in writing its promise to cover the school for any costs. In response, JOHN ANGELIDES, the defendant, provided a letter to St. Rocco Administrator 1 that confirmed this promise.

d. St. Rocco Administrator 1 did not expect to receive any invoices from C2I for services or equipment related to the E-Rate Program. However, in the Spring or Summer of 2001 (around the time when the SLD commenced an investigation of C2I's compliance with the E-Rate Program rules), JOHN ANGELIDES, the defendant, advised St. Rocco Administrator 1 that C2I would be billing the School for its 10% Undiscounted Share of the internet access service cost. ANGELIDES explained that he needed to issue an invoice for this amount because of a lag between when C2I applied for reimbursement and when C2I received payment from the Government. ANGELIDES represented that, if the school paid the invoice, C2I would return the full amount of the payment at a later date. Shortly afterwards, as per this arrangement with ANGELIDES, St. Rocco Administrator 1 provided C2I with a check in the amount set forth in an invoice supplied by ANGELIDES. Later in 2001, C2I returned the money to the Saint Rocco Victoria School, as ANGELIDES had promised.